

**STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

**Before the Director of the Department of Insurance and Financial Services**

In the matter of:

**COMMUNITY PURPOSE ALLIANCE, INC.**  
License No. DP-0023736, Pending

**ENFORCEMENT CASE NO. 21-16661**

Applicant.

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**Issued and entered  
on January 27, 2022  
By Judith A. Weaver  
Senior Deputy Director**

**ORDER OF DENIAL OF DEFERRED PRESENTMENT SERVICE PROVIDER APPLICATION**

**I.  
STATEMENTS OF LAW**

1. Section 12 of the Deferred Presentment Service Transactions Act (DPSTA), MCL 487.2132, establishes the following:

To obtain a license, an applicant shall satisfy all of the following requirements:

- (a) Have and maintain net worth of at least \$50,000.00 for each licensed location, subject to a maximum of \$250,000.00 in required net worth for any 1 licensee, determined in accordance with generally accepted accounting principles.
- (b) Demonstrate to the commissioner that the applicant has the financial responsibility, financial condition, business experience, character, and general fitness to reasonably warrant a belief that the applicant will conduct its business lawfully and fairly. In determining whether this subdivision is satisfied, and for the purpose of investigating compliance with this act, the commissioner may review any of the following:
  - (i) The relevant business records and the capital adequacy of the applicant

- (ii) The competence, experience, integrity, and financial ability of any person who is a member, partner, executive officer, or a shareholder with 10% or more interest in the applicant.
- (iii) Any record regarding the applicant, or any person referred to in subparagraph (ii), of any criminal activity, fraud, or other act of personal dishonesty, any act, omission, or practice that constitutes a breach of a fiduciary duty, or any suspension, removal, or administrative action by any agency or department of the United States or any state.

## II.

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. On or about July 9, 2021, Community Purpose Alliance, Inc. ("Applicant"), applied to DIFS for licensing as a deferred presentment service provider under the DPSTA.
2. Pursuant to Section 12(b) of the DPSTA, MCL 487.2132(b), the Licensing Section of DIFS' Office of Consumer Finance conducted a background investigation of Applicant to determine whether Applicant satisfied the conditions of Section 12(a) and 12(b) of the DPSTA, MCL 487.2132(a)-(b).
3. The background investigation revealed the following:
  - a. [REDACTED] is the president and executive officer of Applicant.
  - b. As part of Applicant's submission for licensure under the DPSTA, [REDACTED] submitted an Affiliation Disclosure form. On page 2 of the form, [REDACTED] identified her experience in the consumer financial services business as follows:
    - i. 10 years of ownership and consumer tax prep experience for Community First Tax Service.
    - ii. 2 years of consumer and business bookkeeping experience for Tay's Bookkeeping.
    - iii. 2 years of consumer credit repair experience for My Credit First.
  - c. On or about August 27, 2021, DIFS Staff emailed [REDACTED] and informed her that upon initial review of the application and supporting material for Applicant, [REDACTED] did not possess sufficient deferred presentment business experience. DIFS Staff provided an opportunity for [REDACTED] to show DIFS where she met the requirements of Section 12 of the DPSTA, MCL 487.2312.
  - d. For her response to the August 27, 2021, email from DIFS Staff, [REDACTED] wrote in an email dated August 31, 2021, the following:

"I have 9+ years of deferred presentment experience with the Community First Tax Service business. As part of our tax preparation services, we provide cash advances to some of our clients until they get their tax refund. The client signs a written agreement that authorizes us

to either do an ACH withdrawal or present a post-dated check for the loaned amount and the tax prep fee to their bank once the tax refund has been deposited into their account.”

- e. After reviewing [REDACTED] email dated August 31, 2021, DIFS Staff wrote an email to [REDACTED] on September 1, 2021, which stated that “it still does not appear that you have the experience required for a deferred presentment license. Provide a detailed resume showing this experience.”
- f. Immediately on September 1, 2021, [REDACTED] responded to DIFS Staff with an email questioning why her 9+ years of experience with Community First Tax Service business failed to meet the experience requirement of Section 12 of the DPSTA. DIFS Staff informed [REDACTED] that her tax experience did not qualify her for a deferred presentment license. [REDACTED] went on to request confirmation as to whether the lending services she provided to her tax clients as part of her tax business was considered tax experience rather than lending experience. [REDACTED] further asked whether DIFS was requiring her to have a deferred presentment license in order to get a deferred presentment license.
- g. Later that same day, [REDACTED] provided DIFS Staff with a copy of her resume in response to DIFS Staff’s request.
- h. After reviewing [REDACTED] resume, application, and written statements, DIFS Staff on September 10, 2021, wrote an email to [REDACTED] with the following request:
  - Since you have indicated you have done hundreds of cash advances [sic]. We need a step by step of how you process a cash advance (do not leave anything out)
  - Explain how these above are treated and processed the same as a deferred presentment transaction based on the statute
- i. On September 13, 2021, [REDACTED] responded to DIFS Staff with an email which included the following:

“According to the Michigan Deferred Presentment Service Transaction Act – Act 244 of 2005, the statute defines Deferred Presentment as follows:

“Deferred Presentment Service Transaction” means a transaction between a licensee and a customer under which the licensee agrees to do all of the following:

- (i) Pay to the customer an agreed-upon amount in exchange for a fee.
- (ii) Hold the customer’s check for a period of time before negotiation, redemption, or presentment of checks.

#### Step-by-Step of How to Process a Payday Loan Cash Advance

1. Customer goes to a payday loan office

2. Customer applies for loan based on their payday income
3. Once the customer is approved:
  - a. The customer signs a written loan agreement
  - b. The customer provides a post-dated check dated for their payday
4. The customer is advanced agreed-upon amount in cash
5. The customer's check is to be held for the period of time up to the maturity date
6. On the day the customer gets paid via direct deposit (maturity date), the check is presented to the customer's bank for the agreed-upon loan amount and the service fee
7. After the licensee has evidence that the customer has satisfied the obligation, the transaction is considered closed

#### Step-by-Step of How to Process a Tax Refund Cash Advance

- 1) Customer comes to our office to get their taxes prepared
- 2) Customer applies for loan based on their income tax refund amount
- 3) Once the customer is approved
  - a. The customer signs a written loan agreement
  - b. The customer signs an ACH withdrawal authorization dated for the day they get their tax refund
  - c. Or, the customer provides a post-dated check dated for the day they get their tax refund
- 4) The customer is advanced an agreed-upon amount in cash
- 5) The customer's check is to be held for the period of time up to the due date
- 6) On the day the customer gets their tax refund via direct deposit (due date), either an ACH withdrawal is processed or the check is presented to the customer's bank for the agreed-upon loan amount and the tax prep fee
- 7) After we have evidence that the customer has satisfied the obligation, the transaction is considered closed

Traditional Payday Loan Cash Advances and Community First Tax Service's Tax Refund Cash Advances are treated and processed exactly the same as deferred presentment transactions based on the statute."

- j. On September 22, 2021, DIFS Staff sent [REDACTED] a follow up email stating that before a decision could be made on the application, DIFS Staff would need [REDACTED] to provide DIFS with a sample of any and all documents or agreements that are executed at the time a refund anticipation loan is requested.
  - k. [REDACTED] replied to the request from DIFS Staff in an email dated September 24, 2021. The email contained attachments of (1) a Bank Product Application and Agreement (Application/Agreement) for an Easy Advance Loan offered by Republic Bank & Trust Company (Republic), (2) a sample blank check from a customer's Republic account that is used to pay the agreed-upon Easy Advance Loan disbursement amount, and (3) a sample blank check that is held for a period of time before presentment to deduct the authorized amount from the customer's Republic account after the tax refund has been directly deposited, and (4) a copy of Consent to Disclosure of Tax Return Information 2020 Tax Year, a copy of Easy Advance Information Page – Republic Bank & Trust Company, Easy Advance (EA) Truth-in-Lending Act Disclosure, and a copy of What You Need to Know Before Selecting a Refund Transfer – Republic Bank & Trust Company, a copy of What Does Republic Bancorp, Inc. Do With Your Personal Information?
4. DIFS Staff reviewed the application submitted by [REDACTED] on behalf of Applicant and the additional documentation supplied by [REDACTED] as detailed above. DIFS Staff concluded that notwithstanding [REDACTED] experience as a tax preparer whose customers participated in cash advance loans associated with the customer's anticipated return, [REDACTED] experience did not convey the understanding of the intricacies of the DPSTA and what is necessary to operate a deferred presentment business. This includes, but is not inclusive of, the following: the dollar limit of transactions, the shifting percentage of the amount advanced that may be charged as a service fee, the licensee's obligation to verify customer eligibility, the open transaction limits per customer as a whole and per location, the customer's eligibility to elect installment payments and a licensee's rights and responsibilities if the customer requests installment payments. Moreover, in reviewing the supporting documentation DIFS Staff noted that the written agreement, checks, and disclosure documents for a tax advance loan are written and prepared by Republic and do not correlate with the requirements found in Section 32 of the DPSTA. Accordingly, DIFS Staff concluded that Applicant – whose President and sole officer is [REDACTED] – did not demonstrate business experience to reasonably warrant a belief that Applicant would conduct its business in accordance with the complexities of the DPSTA.
  5. Accordingly, DIFS Staff drafted a letter to Applicant on September 28, 2021, requesting that Applicant withdraw the pending application. To date, Applicant has not withdrawn the application.
  6. Based on the foregoing facts, the Director is unable to find that the Applicant has demonstrated financial responsibility, financial condition, business experience, character, and general fitness to reasonably warrant a belief that the Applicant will conduct its business lawfully and fairly, because notwithstanding [REDACTED] prior tax preparation experience with consumers that participated in Republic's Easy Advance Loan program, Applicant lacks experience specific to the complexities of the DPSTA as noted above.
  7. Pursuant to Section 15(1) of the DPSTA, MCL 487.2135(1), the Director must make certain minimum findings in order to issue a deferred presentment service provider's license. Based on the foregoing

inability to make the required findings, the Director finds and concludes that the applicant has failed to meet the minimum licensing requirements of Section 12(b) of the DPSTA, MCL 487.2132(b), and is therefore ineligible for licensure under the DPSTA.

**III.  
ORDER**

Based on the foregoing Statements of Law, Findings of Fact, and Conclusions of Law, **IT IS ORDERED that:**

1. The application of Community Purpose Alliance, Inc., DP-0023736, for licensure as a Deferred Presentment Service Provider under the DPSTA shall be and hereby is DENIED.
2. Community Purpose Alliance, Inc. shall immediately cease and desist from conducting any activities that would require licensure under the DPSTA.

**DEPARTMENT OF INSURANCE AND FINANCIAL  
SERVICES**



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Judith A. Weaver  
Senior Deputy Director

Dated: 1/27/2022

**IV.  
APPEAL**

This Order of Denial is an administrative order subject to judicial review in the Circuit Court pursuant to the Michigan Constitution, MCL Const. Art. 6, § 28, and subject to the Revised Judicature Act, MCL 600.631. Applicant has 21 days from the date of this Order to file an appeal by right, see MCR 7.104, and 6 months from the date of this Order to file an appeal by leave, see MCR 7.105(f).